

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2009**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

JUNE 30, 2009

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**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

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**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Paul Kregel	President	2008
Larry Friedlein	Vice President	2009
Dan Berns	Board Member	2011
Greg Glawe	Board Member	2008
Darla Zittergruen	Board Member	2008
Kathy Ihde	Board Member	2009
JoLynn Moore	Board Member	2011

(After September 2008 Election)

Dan Berns	President	2011
Kathy Ihde	Vice President	2009
Larry Friedlein	Board Member	2009
JoLynn Moore	Board Member	2011
Mary Waterman	Board Member	2009
Janice Andregg	Board Member	2011
Dr. Jeff Hoffman	Board Member	2011

School Officials

Allan Nelson	Superintendent	2009
Mary Seifert	Board Secretary	2009
David Schlueter	Business Manager/Treasurer	2009
Stephan Saunders, Gruhn Law Firm	Attorney	

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA
W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Clayton Ridge Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2010, on our consideration of the Clayton Ridge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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Management's Discussion and Analysis (pages 4 through 12) and the budgetary comparison information (pages 41 through 42) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton Ridge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co. P.C.

Dubuque, Iowa
January 6, 2010

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This section of the Clayton Ridge Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2009. The analysis focuses on District financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2009 Financial Highlights

- A resolution was adopted asking the voters to approve a \$.67 PPEL for ten years beginning in fiscal 2009. The voters approved this levy at the September 15, 2006 election.
- The capital campaign to fund the new Stephen D Shannon Athletic Complex is on going. As of June 30, 2009, the District has received over \$600,000 in pledges and contributions, with the remaining cost of the project to come from transfers from the Capital Projects-Statewide Sales Tax fund over a three year period.
- General fund revenues decreased from \$6,231,167 in fiscal 2008 to \$6,116,761 in fiscal 2009 while General fund expenditures increased from \$6,283,135 in fiscal 2008 to \$6,466,743 in fiscal 2009. The District's General fund balance decreased from \$1,951,080 on June 30, 2008 to \$1,620,526 on June 30, 2009.
- General fund revenues decreased \$114,406. The decrease is due to reductions in state aid, lower interest rates, fewer open enrollment and tuition students and a lower income surtax rate. The losses are partially offset by increased property taxes and increased revenues for the Teacher Quality program.
- General fund expenditures increased \$183,608. The increases are due to increased payroll costs associated with the Teacher Quality program.
- Local option sales tax collections in Clayton County began on January 1, 2004. The local option sales tax was replaced with a state-wide sales tax on July 1, 2008. Total state-wide sales tax revenues for fiscal 2009 were \$386,498.
- The Instructional Support Levy was renewed by the Board in 2008 for an additional five years. This levy generates an additional 10% of regular program district cost. The rate for fiscal 2009 was increased to 5% from 3%.
- The fiscal 2009 budget enrollment decreased 11.8 students versus fiscal 2008.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Assets and Statement of Activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. The District's governmental funds include the General fund, the Special Revenue funds, the Statewide Sales Tax fund, and the Athletic Complex fund.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates like businesses, such as food services. The District currently has one proprietary fund, the Nutrition fund.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others. These funds include a private purpose trust fund and agency fund.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall financial health,

you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories.

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

Fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The District accounts for outside donations for specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the Government-wide financial statements and the fund financial statements follow the fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. Figure A-1 below provides a summary of the District's net assets at June 30, 2009 as compared to June 30, 2008.

Figure A-1 Condensed Statement of Net Assets (\$000) (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2009-2008
Current assets	\$ 6,095	\$ 7,377	\$ 51	\$ 62	\$ 6,146	\$ 7,439	-17.38%
Capital assets	3,451	1,704	8	11	3,459	1,715	101.69%
Total assets	\$ 9,546	\$ 9,081	\$ 59	\$ 73	\$ 9,605	\$ 9,154	4.92%
Current liabilities	\$ 3,890	\$ 3,649	\$ 1	\$ -	\$ 3,891	\$ 3,649	6.63%
Non-current liabilities	569	379	-	-	569	379	50.13%
Total liabilities	\$ 4,459	\$ 4,028	\$ 1	\$ -	\$ 4,460	\$ 4,028	10.72%
Net assets							
Invested in capital assets	\$ 3,451	\$ 1,704	\$ 8	\$ 11	\$ 3,459	\$ 1,715	101.69%
Restricted	1,284	1,882	-	-	1,284	1,882	-31.77%
Unrestricted	352	1,467	50	62	402	1,529	-73.70%
Total net assets	\$ 5,087	\$ 5,053	\$ 58	\$ 73	\$ 5,145	\$ 5,126	0.37%

The District's combined net assets increased approximately 1% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day to day activity without constraints such as enabling legislation or other legal requirements - decreased 73% or \$1,127,012. The decrease is primarily due to increased spending for capital projects.

Restricted net assets represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The district's restricted net assets consist primarily of fund balances in the General for categorical funding, Management, Physical Plant and Equipment Levy, and Capital Projects funds. The District's restricted net assets decreased nearly 32% or \$599,827. The decreases are due to cash balance reductions to pay for capital projects.

Changes in net assets. Figure A-2 below provides a summary of the changes in net assets at June 30, 2009 as compared to June 30, 2008.

Figure A-2 Changes in of Net Assets (\$000) (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2009-2008
Revenues							
Program revenues:							
Charges for services	\$ 700	\$ 700	\$ 182	\$ 168	\$ 882	\$ 868	1.61%
Operating grants and contributions	911	821	140	139	1,051	960	9.48%
General revenues:							
Property taxes	2,994	2,840	-	-	2,994	2,840	5.42%
Statewide sales tax	386	384	-	-	386	384	0.52%
Unrestricted state grants	2,396	2,500	-	-	2,396	2,500	-4.16%
Other	221	817	-	-	221	817	-72.95%
Total Revenues	\$ 7,608	\$ 8,062	\$ 322	\$ 307	\$ 7,930	\$ 8,369	-5.24%
Expenses							
Instruction	\$ 4,791	\$ 4,608	\$ -	\$ -	\$ 4,791	\$ 4,608	3.97%
Student and instructional services	583	423	-	-	583	423	37.82%
Administrative & business	712	722	-	-	712	722	-1.38%
Maintenance & operations	444	426	-	-	444	426	4.22%
Transportation	511	497	-	-	511	497	2.81%
Other	576	462	338	318	914	780	17.18%
Total Expenses	\$ 7,617	\$ 7,138	\$ 338	\$ 318	\$ 7,955	\$ 7,456	6.69%
Increase (decrease) in net assets	\$ (9)	\$ 924	\$ (16)	\$ (11)	\$ (25)	\$ 913	-102.73%

In fiscal 2009, property tax and unrestricted state grants account for 71% of the revenue from governmental activities while charges for services and operating grants and contributions account for 100% of the revenue from business type activities.

As shown in Figure A-2, the District as a whole experienced a 5.24% decrease in revenue and a 6.69% increase in expenses. The decrease in revenue is attributed to reductions in state aid and reduced amount of donations for the Stephen D. Shannon Athletic Complex.

The increase in expenses is due to increased payroll for special education, at-risk and dropout prevention, and guidance programs.

Governmental Activities

Revenues for governmental activities were \$7,608,994 while total expenses were \$7,618,017. Figure A-3 below presents the cost of six major district activities and each activity's net cost. Net cost shows the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

The total cost of all governmental activities in 2009 was \$7,618,017. The net cost is \$1,611,195 less due to funds received for instructional services provided to students from other districts, and due to funds received from the federal and state governments for certain programs they choose to subsidize (such as Title I.) Transportation aid is also received from the State for the non-public school in our district.

Figure A-3 Net Cost of Governmental Activities (\$000) (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2009-2008	2009	2008	Change 2009-2008
Instruction	\$ 4,791	\$ 4,608	4.0%	\$ 3,547	\$ 3,454	2.6%
Student and instructional services	583	423	37.8%	548	379	44.6%
Administrative & business	712	722	-1.4%	712	722	-1.4%
Maintenance & operations	444	426	4.2%	440	422	4.3%
Transportation	511	497	2.8%	442	430	2.8%
Other	576	462	24.7%	318	211	50.7%
Total	\$ 7,617	\$ 7,138	6.7%	\$ 6,007	\$ 5,618	6.9%

Business-Type Activities

Revenues of the District's business-type activities (school nutrition) were comprised of charges for meals, federal and state reimbursements, and interest earnings. (See Figure A-2.)

Business-type activities expenses exceeded revenues by \$15,164. Charges for meals accounts for 56% of the total revenues, while contributions from the federal and state government for free and reduced meals and commodities accounts for the remaining 44%.

While revenues increased slightly versus fiscal 2008, expenditures increased over 6% due to rising costs of payroll and food.

Fund Analysis of the District's Funds

Clayton Ridge Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal 2009, the governmental funds reported combined ending fund balances of \$1,927,976. Approximately 96.0% of this balance is unreserved fund balance. The remainder is reserved for various state programs.

The General fund is the chief operating fund of the District. The fund balance decreased from \$1,951,080 in fiscal 2008 to \$1,620,526 in fiscal 2009. The decrease is due to reductions in state aid and increased payroll costs.

The Management fund is used to account for health and retirement benefits for the employees of the district. The fund balance increased \$206,829 from fiscal 2008. The increase is due to increased property taxes for early retirement liabilities.

The Athletic Complex fund, a capital projects fund, is used to account for the revenues and expenses associated with the construction of the Stephen D Shannon Athletic Complex. The fund balance decreased from \$408,865 to a deficit balance of \$892,608. The decrease is due to payment of most of the construction costs of the Athletic Complex. The deficit will be eliminated with transfers from the State Wide Sales Tax Fund to reimburse the General Fund for an interfund loan.

Proprietary Funds

The Nutrition fund consists of revenues and expenditures related to the operation of the food services department. The net assets at the end of fiscal 2009 were \$57,707. This represented a \$15,164 decrease from fiscal 2008. The decrease in fund balance is due to increased costs of food and payroll.

Budgetary Highlights

The District adopts a budget in April for the following fiscal year. A comparison of the District's budget amounts compared to actual financial activity is provided in this report in the required supplementary information.

Over the course of the year, the District amended its budget one time to reflect additional expenditures in the other expenditure function due to costs associated with construction of the Stephen D. Shannon Athletic Complex.

Total revenues were over budget by \$294,933, or 3.8%. Total expenditures were under budget by \$994,542 which is 9.4%.

Revenues were over budget due to increased funding for the Teacher Quality Salary Improvement program, increased federal food service reimbursements and sales tax collections.

The total expenditures were less than budget primarily due to the District's General fund, Capital Projects fund and PPEL fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General fund. The District then controls General fund spending through its line-item budget. As a result, the certified budget should always exceed actual expenditures for the year, as required by law. The District also budgets to spend the entire balance in the capital projects and PPEL funds as it does with the General funds. Spending is controlled through the line item budgets.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2009 for its governmental and business-type activities was \$3,459,693 net accumulated depreciation. This investment includes land, buildings, and equipment. This represents a net increase of 94% from the prior year. Major improvements included construction of the Stephen D. Shannon Athletic Complex, roof improvements, and HVAC improvements.

More detailed information about the Districts' capital assets is presented in Note 3 to the financial statements.

<p style="text-align: center;">Figure A-4 Capital Assets (net of depreciation) (\$000) (Expressed in Thousands)</p>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2009-2008
Land	\$ 55	\$ 55	\$ -	\$ -	\$ 55	\$ 55	0%
Construction in progress	1,472	67	-	-	1,472	67	2097.0%
Buildings	1,141	1,209	-	-	1,141	1,209	-5.6%
Improvements other than buildings	572	266	-	-	572	266	115.0%
Equipment & furniture	211	174	8	11	219	185	18.4%
Total	\$ 3,451	\$ 1,771	\$ 8	\$ 11	\$ 3,459	\$ 1,782	94.0%

Depreciation expense for the year was \$192,672.

Long-Term Debt

The general fund loaned the Athletic Complex fund amounts to pay for construction costs. The loan was for \$845,248 and will be paid back with future pledge payments from donors and additional funds to be received from the Statewide Sales and Service tax fund.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District anticipates the trend of declining enrollment will continue.
- The certified employees' bargaining unit contract is a one-year contract, and open for negotiation next year. Salary and benefits represent a majority of the general fund expenses. Since the District receives only minimal or no increases in spending authority, any increase in settlements causes an adverse effect on the general fund budget and related fund balance.
- The District has approved several construction contracts for the Stephen D. Shannon Athletic Complex. See Note 12 to the basic financial statements for further details.
- The District may enter into inter-fund loans to meet the obligations for the construction contracts since the cash received from pledges and contributions may not be enough to cover the construction costs that will be in progress. It is assumed that these loans will be repaid over a three year period using proceeds from the Local Option Sales Tax fund. The capital campaign is still ongoing to continue to raise the funds to finance the construction.
- Lower interest rates will result in reduced interest income and spending authority.
- Fluctuating prices for gasohol and diesel continue to create added costs for transportation of students.
- In October, 2009, the State of Iowa issued an across-the-board cut of 10% to all state agencies, including public schools. While this will have a minimal effect on the district's spending authority, the loss of cash will be nearly \$400,000.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives.

If you have questions about this report or need additional financial information, contact David Schlueter, Clayton Ridge Community School District, PO Box 520, Guttenberg, Iowa, 52052.

**BASIC
FINANCIAL
STATEMENTS**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
Assets			
Cash and cash equivalents	\$ 2,445,465	\$ 38,377	\$ 2,483,842
Receivables:			
Property tax:			
Delinquent	49,961	---	49,961
Succeeding year	3,019,352	---	3,019,352
Pledges, net of allowance and discount of \$6,500 and \$3,389, respectively	148,149	---	148,149
Income surtax	133,693	---	133,693
Accounts	5,864	---	5,864
Due from other governments	291,493	---	291,493
Inventories	---	12,331	12,331
Capital assets, net of accumulated depreciation	3,451,529	8,164	3,459,693
	-----	-----	-----
Total Assets	\$ 9,545,506	\$ 58,872	\$ 9,604,378
	-----	-----	-----
Liabilities			
Accounts payable	\$ 98,499	\$ 1,165	\$ 99,664
Salaries and benefits payable	652,568	---	652,568
Due to other governments	30,836	---	30,836
Deferred revenue - other	88,371	---	88,371
Deferred revenue - succeeding year property tax	3,019,352	---	3,019,352
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	162,988	---	162,988
Portion due after one year:			
Early retirement payable	406,788	---	406,788
	-----	-----	-----
Total Liabilities	\$ 4,459,402	\$ 1,165	\$ 4,460,567
	-----	-----	-----
Net Assets			
Invested in capital assets	\$ 3,451,529	\$ 8,164	\$ 3,459,693
Restricted for:			
Categorical funding	76,500	---	76,500
Management levy	837,308	---	837,308
Other special revenue purposes	54,635	---	54,635
State-wide sales tax	313,603	---	313,603
Unrestricted	352,529	49,543	402,072
	-----	-----	-----
Total Net Assets	\$ 5,086,104	\$ 57,707	\$ 5,143,811
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
Governmental Activities:								
Instruction:								
Regular	\$ 2,618,620	\$ 122,314	\$ 481,812	\$ ---	\$ (2,014,494)	\$ ---	\$ (2,014,494)	
Special	1,169,069	217,436	100,783	---	(850,850)	---	(850,850)	
Other	1,003,802	322,139	---	---	(681,663)	---	(681,663)	
	---	---	---	---	---	---	---	
	\$ 4,791,491	\$ 661,889	\$ 582,595	\$ ---	\$ (3,547,007)	\$ ---	\$ (3,547,007)	
	---	---	---	---	---	---	---	
Support Services:								
Student	\$ 289,585	\$ 31,230	\$ ---	\$ ---	\$ (258,355)	\$ ---	\$ (258,355)	
Instructional staff	293,878	---	4,258	---	(289,620)	---	(289,620)	
Administration	711,505	---	---	---	(711,505)	---	(711,505)	
Operation and maintenance of plant	444,071	4,400	---	---	(439,671)	---	(439,671)	
Transportation	510,860	2,200	66,803	---	(441,857)	---	(441,857)	
	---	---	---	---	---	---	---	
	\$ 2,249,899	\$ 37,830	\$ 71,061	\$ ---	\$ (2,141,008)	\$ ---	\$ (2,141,008)	
	---	---	---	---	---	---	---	
Non-instructional Programs	\$ 6,907	\$ ---	\$ ---	\$ ---	\$ (6,907)	\$ ---	\$ (6,907)	

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	-----			-----		
	Operating Grants, Capital Grants, Contributions and Restricted Interest			Governmental Activities Business Type Activities Activities Total		
	-----			-----		
Expenses	Charges for Service	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	-----	-----	-----	-----	-----	-----
Other Expenditures:						
Facilities acquisition	\$ 166,675	\$ ---	\$ ---	\$ (166,675)	\$ ---	\$ (166,675)
AEA flowthrough	257,820	257,820	---	---	---	---
Depreciation (unallocated)*	145,225	---	---	(145,225)	---	(145,225)
	-----	-----	-----	-----	-----	-----
\$ 569,720	\$ ---	\$ 257,820	\$ ---	\$ (311,900)	\$ ---	\$ (311,900)
	-----	-----	-----	-----	-----	-----
Total Governmental Activities	\$ 7,618,017	\$ 699,719	\$ 911,476	\$ (6,006,822)	\$ ---	\$ (6,006,822)
	-----	-----	-----	-----	-----	-----
Business Type Activities:						
Noninstructional Programs:						
Food service operations	\$ 337,993	\$ 182,364	\$ 139,949	\$ ---	\$ (15,680)	\$ (15,680)
	-----	-----	-----	-----	-----	-----
Total	\$ 7,956,010	\$ 882,083	\$ 1,051,425	\$ (6,006,822)	\$ (15,680)	\$ (6,022,502)
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	-----			-----		
	Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses	Service	Interest	Interest	Activities	Activities	Total
-----	-----	-----	-----	-----	-----	-----
General Revenues						
Property tax levied for:						
General purposes				\$ 2,751,686	\$ ---	\$ 2,751,686
Capital outlay				242,438	---	242,438
State wide sales and services tax				386,498	---	386,498
Instructional support surtax				147,676	---	147,676
Unrestricted state grants				2,395,705	---	2,395,705
Unrestricted investment earnings				27,479	516	27,995
Gain (loss) on sale and disposal of fixed assets				(12,463)	---	(12,463)
Other				58,780	---	58,780
				-----	-----	-----
Total General Revenues				\$ 5,997,799	\$ 516	\$ 5,998,315
				-----	-----	-----
Change in Net Assets				\$ (9,023)	\$ (15,164)	\$ (24,187)
				-----	-----	-----
Net Assets Beginning of Year				5,052,884	72,871	5,125,755
				-----	-----	-----
Prior Period Adjustments				42,243	---	42,243
				-----	-----	-----
Net Assets Beginning of Year, Restated				5,095,127	72,871	5,167,998
				-----	-----	-----
Net Assets End of Year				\$ 5,086,104	\$ 57,707	\$ 5,143,811
				=====	=====	=====

* This amount excludes the depreciation included in the direct expenses of the various programs.

The accompanying notes are an integral part of these financial statements.

EXHIBIT "C"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General	Management Levy	Athletic Complex	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 1,314,228	\$ 830,196	\$ 2,955	\$ 298,086	\$ 2,445,465
Receivables:					
Property tax:					
Delinquent	38,838	7,112	---	4,011	49,961
Succeeding year	2,364,410	399,999	---	254,943	3,019,352
Pledges, net of allowance and discount of \$6,500 and \$3,389, respectively	---	---	148,149	---	148,149
Income surtax	133,693	---	---	---	133,693
Accounts	5,864	---	---	---	5,864
Interfund loan receivable	845,248	---	---	---	845,248
Due from other governments	211,409	---	---	80,084	291,493
Total Assets	<u>\$ 4,913,690</u>	<u>\$ 1,237,307</u>	<u>\$ 151,104</u>	<u>\$ 637,124</u>	<u>\$ 6,939,225</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 23,286	\$ ---	\$ 55,782	\$ 19,431	\$ 98,499
Salaries and benefits payable	652,568	---	---	---	652,568
Interfund loan payable	---	---	845,248	---	845,248
Due to other governments	30,836	---	---	---	30,836
Deferred revenue:					
Succeeding year property tax	2,364,410	399,999	---	254,943	3,019,352
Income surtax	133,693	---	---	---	133,693
Pledges receivable	---	---	142,682	---	142,682
Other	88,371	---	---	---	88,371
Total Liabilities	<u>\$ 3,293,164</u>	<u>\$ 399,999</u>	<u>\$ 1,043,712</u>	<u>\$ 274,374</u>	<u>\$ 5,011,249</u>
Fund Balances:					
Reserved for:					
Categorical funding	\$ 76,500	\$ ---	\$ ---	\$ ---	\$ 76,500
Unreserved:					
Undesignated	1,544,026	837,308	(892,608)	362,750	1,851,476
Total Fund Balances	<u>\$ 1,620,526</u>	<u>\$ 837,308</u>	<u>\$ (892,608)</u>	<u>\$ 362,750</u>	<u>\$ 1,927,976</u>
Total Liabilities and Fund Balances	<u>\$ 4,913,690</u>	<u>\$ 1,237,307</u>	<u>\$ 151,104</u>	<u>\$ 637,124</u>	<u>\$ 6,939,225</u>

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total fund balances of governmental funds (page 17)	\$ 1,927,976
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets of \$6,655,511, net of accumulated depreciation of (\$3,203,982) are not financial resources and, therefore, are not reported in the funds.	3,451,529
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(569,776)
Income surtaxes will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	133,693
Certain pledges receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	142,682

Net assets of governmental activities (page 13)	\$ 5,086,104 =====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009**

	General	Management Levy	Athletic Complex	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----	-----
Revenues:					
Local sources:					
Local tax	\$ 2,411,814	\$ 425,588	\$ ---	\$ 242,248	\$ 3,079,650
Tuition	242,776	---	---	---	242,776
Other	114,208	43,676	156,354	689,546	1,003,784
State sources	3,167,013	324	---	190	3,167,527
Federal sources	180,950	---	---	---	180,950
	-----	-----	-----	-----	-----
Total Revenues	\$ 6,116,761	\$ 469,588	\$ 156,354	\$ 931,984	\$ 7,674,687
	-----	-----	-----	-----	-----
Expenditures:					
Current:					
Instruction:					
Regular	\$ 2,464,655	\$ 130,886	\$ ---	\$ ---	\$ 2,595,541
Special	1,169,069	---	---	---	1,169,069
Other	688,667	---	---	315,135	1,003,802
	-----	-----	-----	-----	-----
	\$ 4,322,391	\$ 130,886	\$ ---	\$ 315,135	\$ 4,768,412
	-----	-----	-----	-----	-----
Support Services:					
Student	\$ 261,383	\$ 28,202	\$ ---	\$ ---	\$ 289,585
Instructional staff	231,037	2,281	---	60,388	293,706
Administration	633,870	14,559	1,062	13	649,504
Operation and maintenance of plant	401,032	50,661	---	---	451,693
Transportation	359,210	29,263	---	132,811	521,284
	-----	-----	-----	-----	-----
	\$ 1,886,532	\$ 124,966	\$ 1,062	\$ 193,212	\$ 2,205,772
	-----	-----	-----	-----	-----
Non-instructional Programs	\$ ---	\$ 6,907	\$ ---	\$ ---	\$ 6,907
	-----	-----	-----	-----	-----
Other Expenditures:					
Facilities acquisition	\$ ---	\$ ---	\$ 1,456,765	\$ 530,719	\$ 1,987,484
AEA flowthrough	257,820	---	---	---	257,820
	-----	-----	-----	-----	-----
	\$ 257,820	\$ ---	\$ 1,456,765	\$ 530,719	\$ 2,245,304
	-----	-----	-----	-----	-----
Total Expenditures	\$ 6,466,743	\$ 262,759	\$ 1,457,827	\$ 1,039,066	\$ 9,226,395
	-----	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (349,982)	\$ 206,829	\$ (1,301,473)	\$ (107,082)	\$ (1,551,708)
	-----	-----	-----	-----	-----

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009**

	General	Management Levy	Athletic Complex	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----	-----
Other Financing Sources:					
Sale of equipment and materials	\$ 19,428	\$ ---	\$ ---	\$ ---	\$ 19,428
	-----	-----	-----	-----	-----
Total Other Financing Sources	\$ 19,428	\$ ---	\$ ---	\$ ---	\$ 19,428
	-----	-----	-----	-----	-----
Net Change in Fund Balances	\$ (330,554)	\$ 206,829	\$ (1,301,473)	\$ (107,082)	\$ (1,532,280)
	-----	-----	-----	-----	-----
Fund Balances Beginning of Year	1,951,080	630,479	433,865	469,832	3,485,256
	-----	-----	-----	-----	-----
Prior Period Adjustment	---	---	(25,000)	---	(25,000)
	-----	-----	-----	-----	-----
Fund Balances Beginning of Year, As Restated	\$ 1,951,080	\$ 630,479	\$ 408,865	\$ 469,832	\$ 3,460,256
	-----	-----	-----	-----	-----
Fund Balances End of Year	\$ 1,620,526	\$ 837,308	\$ (892,608)	\$ 362,750	\$ 1,927,976
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Net change in fund balances - total governmental funds (page 20) \$ (1,532,280)

*Amounts reported for governmental activities in the Statement
of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,882,787 exceeded depreciation of \$190,074 in the current period. 1,692,713

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the net (increase) in the early retirement payable. (84,334)

In the statement of activities, loss on the sale and disposition of assets is reported, whereas in the governmental funds, this information is not reported since this does not effect current financial resources. This is the amount of the loss on sale and disposition of fixed assets. (12,463)

Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 59,867

Because certain pledges will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred pledge revenues (decreased) by this amount this year. (132,526)

Change in net assets of governmental activities (page 16) \$ (9,023)

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009**

	School Nutrition -----
Assets	
Cash and cash equivalents	\$ 38,377
Inventories	12,331
Capital assets, net of accumulated depreciation	8,164

Total Assets	\$ 58,872
	=====
Liabilities	
Accounts payable	\$ 1,165
	=====
Net Assets	
Invested in capital assets	\$ 8,164
Unrestricted	49,543

Total Net Assets	\$ 57,707
	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009**

	School Nutrition -----
Operating Revenue:	
Local sources:	
Charges for services	\$ 182,364 -----
Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 164,690
Purchased services	2,077
Supplies	168,629
Depreciation	2,597 -----
Total Operating Expenses	\$ 337,993 -----
Operating Loss	\$ (155,629) -----
Non-operating Revenue:	
State sources	\$ 3,770
Federal sources	136,179
Interest income	516 -----
Total Non-Operating Revenues	\$ 140,465 -----
Net Loss	\$ (15,164) -----
Net Assets Beginning of Year	72,871 -----
Net Assets End of Year	\$ 57,707 =====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009**

	School Nutrition -----
Cash Flows From Operating Activities:	
Cash received from sale of lunches and breakfasts	\$ 183,507
Cash paid to employees for services	(164,690)
Cash paid to suppliers for goods and services	(149,353)

Net Cash Used by Operating Activities	\$ (130,536)

Cash Flows From Noncapital Financing Activities:	
State grants received	\$ 3,770
Federal grants received	114,953

Net Cash Provided by Noncapital Financing Activities	\$ 118,723

Cash Flows From Investing Activities:	
Interest on investments	\$ 516

Net Decrease in Cash and Cash Equivalents	\$ (11,297)

Cash and Cash Equivalents Beginning of Year	49,674

Cash and Cash Equivalents End of Year	\$ 38,377
	=====
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (155,629)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	21,226
Depreciation	2,597
Decrease in accounts receivable	1,143
(Increase) in inventories	(1,038)
Increase in accounts payable	1,165

Net Cash Used by Operating Activities	\$ (130,536)
	=====

Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2009, the District received \$21,226 of federal commodities.

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2009**

	Private Purpose Trust	
	----- Scholarship	----- Agency
Assets		
Cash and deposits	\$ 41,821	\$ 2,511
	-----	-----
Liabilities		
Due to other governments	\$ ---	\$ 2,511
	-----	-----
Net Assets		
Reserved for scholarships	\$ 41,821	\$ ---
	=====	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2009**

	Private Purpose Trust ----- Scholarship -----
Additions:	
Local sources:	
Gifts and contributions	\$ 8,766
Interest income	910

Total Additions	\$ 9,676

Deductions:	
Support services:	
Scholarships awarded	6,335

Change in Net Assets	\$ 3,341

Net Assets Beginning of Year	38,480

Net Assets End of Year	\$ 41,821
	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies:

The Clayton Ridge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clayton Ridge Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Clayton Ridge Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clayton County Assessor's Conference Board.

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three activities:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Management Levy (Special Revenue) is used to account for health and retirement benefits for the employees of the district and general insurance costs of the District.

The Athletic Complex (Capital Projects) is used to account for the revenue and expenses associated with construction of the Stephen D. Shannon Athletic Complex.

The District reports the following major proprietary fund:

The School Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds that focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), pledges receivable, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested in money market accounts and certificates of deposit.

For purposes of the statements of cash flows, all short-term cash deposits that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than 365 days.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1-1/2% per month penalty for delinquent payments; is based on January 1, 2007, assessed property valuations, is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Pledges Receivable - The District uses the allowance method to determine uncollectible pledges receivable for the Athletic Complex. The allowance is based on management's analysis of specific promises made. Management estimates that there are \$6,500 of uncollectible pledges at June 30, 2009. The District also discounts pledges receivable with a term of greater than one year using a discount rate of 3%. The gross pledge receivable balance at June 30, 2009 is reduced by \$3,389 for the discount.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Land	All
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	1,500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment:	5 years

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2009 has been accrued.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, income surtax, delinquent property tax receivable, pledges receivable, and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional programs exceeded the amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

Note 2 - Cash and Cash Equivalents:

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3 - Capital Assets:

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 55,335	\$ ---	\$ ---	\$ 55,335
Construction in progress	---	1,472,337*	---	1,472,337
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 55,335	\$ 1,472,337	\$ ---	\$ 1,527,672
	-----	-----	-----	-----
Capital assets being depreciated:				
Buildings	\$ 3,161,659	\$ ---	\$ (4,843)	\$ 3,156,816
Improvements other than buildings	605,665	378,487	(62,073)	922,079
Furniture and equipment	1,134,143	99,206	(184,405)	1,048,944
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 4,901,467	\$ 477,693	\$ (251,321)	\$ 5,127,839
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 1,952,869	\$ 67,808	\$ (4,843)	\$ 2,015,834
Improvements other than buildings	339,470	64,412	(53,765)	350,117
Furniture	960,427	57,854	(180,250)	838,031
	-----	-----	-----	-----
Total accumulated depreciation	\$ 3,252,766	\$ 190,074	\$ (238,858)	\$ 3,203,982
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 1,648,701	\$ 287,619	\$ (12,463)	\$ 1,923,857
	-----	-----	-----	-----
Total Governmental activities capital assets, net	\$ 1,704,036	\$ 1,759,956	\$ (12,463)	\$ 3,451,529
	=====	=====	=====	=====
Business-type activities:				
Furniture and equipment	\$ 124,522	\$ ---	\$ ---	\$ 124,522
Less accumulated depreciation	113,760	2,598	---	116,358
	-----	-----	-----	-----
Business-type activities capital assets, net	\$ 10,762	\$ (2,598)	\$ ---	\$ 8,164
	=====	=====	=====	=====

* Includes prior period adjustment of \$67,243. See Note 15 for further information.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3 - Capital Assets: (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 8,278
---------------------	----------

Support services:

Instructional staff support services	1,972
--------------------------------------	-------

Operation and maintenance of plant services	2,530
---	-------

Transportation services	32,069
-------------------------	--------

Unallocated	145,225
-------------	---------

Total depreciation expense - governmental activities	\$ 190,074
--	------------

Business type activities:

Food services	\$ 2,598
---------------	----------

Note 4 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Early Retirement
Balance Beginning of Year	\$ 485,442
Additions	189,706
Reductions	(105,372)
Balance End of Year	\$ 569,776

Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. The employee is eligible to participate in the early retirement program if the following conditions are met at June 30, 2009.

- 1) The employee has reached a minimum age of 55.
- 2) The employee has completed at least 15 years (10 years for management) of full service to the Clayton Ridge Community School District and/or the Garnavillo Community School District and/or the Guttenberg Community School District.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 4 - Long-Term Liabilities: (Continued)

The eligible employee must submit an application of early retirement to the Board of Education. The Board has sole discretion over the approval of early retirement and may not approve more than six applications for teachers for the fiscal year ended June 30, 2009.

Early retirement benefits are equal to a one time payment of approximately 15% of the employee's contracted salary in effect during the last year of employment. The employee shall also be eligible for an additional payment based on a percentage of unused sick leave at June 30, 2009. The District will continue to pay the employee's health insurance premium on a monthly basis for up to \$325 per month for teachers and administrators for a maximum period of ten years.

Early retirement benefits paid during the year ended June 30, 2009 totaled \$105,372.

Note 5 - Pension and Retirement Benefits:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$260,608, \$237,883, and \$218,966 respectively, equal to the required contributions for each year.

Note 6 - Related Party Transactions:

The District had business transactions between the District and immediate family members of board members for supplies, maintenance, and construction costs, totaling \$28,013.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 7 - Risk Management:

Clayton Ridge Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance for the past three fiscal years.

Note 8 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$257,820 for the year ended June 30, 2009, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9 - Operating Lease Commitment:

The District has entered into noncancellable operating leases for ten school buses.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2009, are as follows:

Year Ending June 30	

2010	\$ 106,493
2011	72,963
2012	39,434

Total	\$ 218,890
	=====

Note 10 - Construction Commitments:

At June 30, 2009, the District had entered into various contracts totaling \$155,023 for remodeling projects and other capital assets. As of June 30, 2009, the district had not incurred any costs against these contracts.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 11 - Interfund Loan:

The detail of interfund loans for the year ended June 30, 2009 are as follows:

Loan to	Loan from	Amount
-----	-----	-----
Capital Projects: Athletic Complex	General	\$845,248

Note 12 - Subsequent Event:

The District entered into commitments subsequent to June 30, 2009 in the amount of \$30,623 for various construction contracts.

Subsequent events have been evaluated by management through January 6, 2010, which is the date the financial statements were available to be issued.

Note 13 - 28E Agreement:

On March 12, 2008, the District entered into a 28E Agreement with Northeast Iowa Community College. The agreement is for the purpose of jointly administering an alternative high school.

Note 14 - Pledges Receivable - Athletic Complex:

The District had gross pledges receivable of \$158,038 at June 30, 2009.

Receivable in less than one year	\$ 102,278
Receivable in one to five years	55,760

Total Pledges Receivable	\$ 158,038
	=====

Note 15 - Prior Period Adjustments:

The District realized during fiscal 2009 that a \$25,000 pledge recorded for the Stephen D. Shannon Athletic Complex was improperly accrued. Beginning net assets for the Athletic Complex fund have been decreased by \$25,000 for this adjustment.

In fiscal 2009, the District noted that \$67,243 in construction costs for the Stephen D. Shannon Athletic Complex should have been included on the District's government wide financial statements for fiscal 2008. Beginning net assets have been increased by \$67,243 for this adjustment.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 16 - Deficit Fund Balances:

At June 30, 2009, the following individual funds had deficit balances:

Fund -----	Deficit -----
Athletic Complex	\$ 892,608
Physical Plant and Equipment Levy	5,488

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 4,326,210	\$ 182,880	\$ 4,509,090	\$ 4,360,271	\$ 4,360,271	\$ 148,819
State sources	3,167,527	3,770	3,171,297	3,084,312	3,084,312	86,985
Federal sources	180,950	136,179	317,129	258,000	258,000	59,129
Total Revenues	\$ 7,674,687	\$ 322,829	\$ 7,997,516	\$ 7,702,583	\$ 7,702,583	\$ 294,933
Expenditures:						
Instruction	\$ 4,768,412	\$ ---	\$ 4,768,412	\$ 5,604,581	\$ 5,604,581	\$ 836,169
Support services	2,205,772	---	2,205,772	2,330,000	2,330,000	124,228
Non-instructional programs	6,907	337,993	344,900	324,349	324,349	(20,551)
Other	2,245,304	---	2,245,304	1,892,465	2,300,000	54,696
Total Expenditures	\$ 9,226,395	\$ 337,993	\$ 9,564,388	\$ 10,151,395	\$ 10,558,930	\$ 994,542
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,551,708)	\$ (15,164)	\$ (1,566,872)	\$ (2,448,812)	\$ (2,856,347)	\$ 1,289,475
Other Financing Sources, net	19,428	---	19,428	---	---	19,428
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (1,532,280)	\$ (15,164)	\$ (1,547,444)	\$ (2,448,812)	\$ (2,856,347)	\$ 1,308,903
Balances Beginning of Year	3,460,256	72,871	3,533,127	3,868,335	3,868,335	(335,208)
Balances End of Year	\$ 1,927,976	\$ 57,707	\$ 1,985,683	\$ 1,419,523	\$ 1,011,988	\$ 973,695

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$407,535.

During the year ended June 30, 2009, expenditures in non-instructional programs exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**OTHER
SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Special Revenue		Capital Projects	
	Student Activity	Physical Plant and Equipment Levy	State Wide Sales Tax	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 60,225	\$ 4,342	\$ 233,519	\$ 298,086
Receivables:				
Property tax:				
Delinquent	---	4,011	---	4,011
Succeeding year	---	254,943	---	254,943
Due from other governments	---	---	80,084	80,084
Total Assets	<u>\$ 60,225</u>	<u>\$ 263,296</u>	<u>\$ 313,603</u>	<u>\$ 637,124</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,590	\$ 13,841	\$ ---	\$ 19,431
Deferred revenue:				
Succeeding year property tax	---	254,943	---	254,943
Total Liabilities	<u>\$ 5,590</u>	<u>\$ 268,784</u>	<u>\$ ---</u>	<u>\$ 274,374</u>
Unreserved Fund Balances	<u>\$ 54,635</u>	<u>\$ (5,488)</u>	<u>\$ 313,603</u>	<u>\$ 362,750</u>
Total Liabilities and Equity	<u>\$ 60,225</u>	<u>\$ 263,296</u>	<u>\$ 313,603</u>	<u>\$ 637,124</u>

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009**

	Special Revenue		Capital Projects	
	Student Activity	Physical Plant and Equipment Levy	State Wide Sales Tax	Total Nonmajor Governmental Funds
Revenues:				
Local Sources:				
Local tax	\$ ---	\$ 242,248	\$ ---	\$ 242,248
Other	302,661	90	386,795	689,546
State sources	---	190	---	190
	-----	-----	-----	-----
Total Revenues	\$ 302,661	\$ 242,528	\$ 386,795	\$ 931,984
	-----	-----	-----	-----
Expenditures:				
Current:				
Instruction:				
Other	\$ 315,135	\$ ---	\$ ---	\$ 315,135
Support Services:				
Instructional staff	---	60,388	---	60,388
Administrative services	---	13	---	13
Transportation	---	132,811	---	132,811
	-----	-----	-----	-----
Other Expenditures:				
Facilities acquisition	---	264,733	265,986	530,719
	-----	-----	-----	-----
Total Expenditures	\$ 315,135	\$ 457,945	\$ 265,986	\$ 1,039,066
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (12,474)	\$ (215,417)	\$ 120,809	\$ (107,082)
	-----	-----	-----	-----
Fund Balances Beginning of Year	\$ 67,109	\$ 209,929	\$ 192,794	\$ 469,832
	-----	-----	-----	-----
Fund Balances End of Year	\$ 54,635	\$ (5,488)	\$ 313,603	\$ 362,750
	=====	=====	=====	=====

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
"A" Team	\$ 67	\$ 723	\$ 285	\$ 505
Adult Pop	3,036	5,318	5,928	2,426
Athletics	---	27,721	46,048	(18,327)
Baseball	(2,421)	2,677	742	(486)
Boys Basketball	114	2,023	2,325	(188)
Cheerleading	---	582	540	42
Class of 2009	10,177	32,086	39,614	2,649
Class of 2010	9,858	11,124	4,545	16,437
Class of 2011	397	11,714	7,377	4,734
Class of 2012	1,280	5,372	3,981	2,671
Drama	5,884	5,047	4,720	6,211
Drill Team	3,555	22,153	23,286	2,422
Elementary Assemblies	3,358	2,313	1,577	4,094
FCCLA	894	7,313	5,987	2,220
FFA Memorial	7,280	3,560	5,660	5,180
FFA Project	667	727	---	1,394
FFA Trip	(1,689)	18,486	17,219	(422)
Fine Arts	744	1,025	733	1,036
Football	492	743	850	385
Girls Basketball	554	1,574	1,004	1,124
High School Assemblies	2,485	1,527	3,404	608
High School National Honor Society	785	1,818	2,142	461
Junior High Student Council	8,723	16,009	16,499	8,233
Middle School Library Reading	564	3,592	4,564	(408)
Middle School Assemblies	1,724	1,948	746	2,926
Music Trips	3,851	29,622	32,522	951
Parent Advisory Committee	455	---	218	237
Philanthropist Club	1,762	1,280	481	2,561
Reading Month	2,794	4,602	3,471	3,925
Softball	---	3,024	1,720	1,304
Spanish Club	370	4,349	4,157	562
Student Senate	---	13,330	16,393	(3,063)
Tri-Star FFA	(1,865)	39,395	37,325	205
Volleyball	4,755	5,794	5,928	4,621
Wrestling	154	517	272	399
Yearbook	(3,695)	13,573	12,872	(2,994)
Total	<u>\$ 67,109</u>	<u>\$ 302,661</u>	<u>\$ 315,135</u>	<u>\$ 54,635</u>

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2009**

	Balance Beginning of Year -----	Additions -----	Deductions -----	Balance End of Year -----
Assets:				
Cash and deposits	\$ 2,551 =====	\$ 110 =====	\$ 150 =====	\$ 2,511 =====
Liabilities:				
Payable to others	\$ 2,551 =====	\$ 110 =====	\$ 150 =====	\$ 2,511 =====

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS**

	Modified Accrual Basis			
	2009	2008	2007	2006
Revenues:				
Local Sources:				
Local tax	\$ 3,079,650	\$ 3,355,563	\$ 3,387,397	\$ 3,346,260
Tuition	242,776	256,131	198,191	236,340
Other	1,003,784	844,453	681,536	542,231
State Sources	3,167,527	3,171,817	2,994,560	2,975,595
Federal Sources	180,950	190,803	242,006	287,147
Total	<u>\$ 7,674,687</u>	<u>\$ 7,818,767</u>	<u>\$ 7,503,690</u>	<u>\$ 7,387,573</u>
Expenditures:				
Instruction:				
Regular	\$ 2,595,541	\$ 2,662,212	\$ 2,569,187	\$ 2,684,680
Special	1,169,069	1,086,130	940,752	963,683
Other	1,003,802	861,654	934,943	826,543
Support Services:				
Student	289,585	190,099	189,724	176,484
Instructional staff	293,706	247,233	238,527	288,959
Administration	649,504	746,978	639,215	615,579
Operation and maintenance of plant	451,693	423,949	458,916	418,972
Transportation	521,284	524,821	433,775	467,061
Non-Instruction Programs	6,907	3,483	1,439	1,893
Other Expenditures:				
Facilities acquisition	1,987,484	661,963	400,478	151,715
AEA flowthrough	257,820	251,822	244,114	236,183
Total	<u>\$ 9,226,395</u>	<u>\$ 7,660,344</u>	<u>\$ 7,051,070</u>	<u>\$ 6,831,752</u>

See accompanying independent auditor's report.

O'CONNOR, BROOKS & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of the
Clayton Ridge Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clayton Ridge Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 6, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In addition, our report includes a disclaimer of opinion on the required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described at items I-B-09 and I-C-09 are also material weaknesses. Item I-B-09 was noted in the prior year audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is noted in Part I-A-09 in the accompanying Schedule of Findings. In addition, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Clayton Ridge Community School District and other parties to whom Clayton Ridge Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Clayton Ridge Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

D'Connor, Brooks & Co., P.C.

Dubuque, Iowa
January 6, 2010

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

- I-A-09 Interfund Loan - The District entered into an interfund loan in fiscal 2009 between the General and Capital Project, Athletic Complex Funds that may not be in compliance with a revised Declaratory Order issued by the Iowa Department of Education dated October 22, 2009.

The Declaratory Order requires that interfund loans be repaid by October 1st of the fiscal year following the loan origination date, interest to be charged to the borrowing fund based on rates pursuant to Iowa Code section 74A.6, and a resolution approved by the Board of Education stating from which fund and to which fund the transfer will be made. It appears that the District did not comply with these requirements.

Recommendation - We recommend that the District proceed under the provisions of Iowa Code Chapter 74 to issue anticipatory warrants or seek approval of the voters pursuant to Iowa Code Section 278.1(5). The District may also want to consult with legal counsel.

Response - Prior to the Declaratory Order, the District received advice from the Iowa Department of Education which it perceived to grant permission to finance the Stephen D. Shannon Athletic Complex with a three year inter-fund loan. The District has contacted legal counsel and will proceed with measures to become compliant.

Conclusion - Response acknowledged. Since the District is in apparent non-compliance with the Declaratory Order, the District should proceed under one of the remedies provided in the Declaratory Order.

MATERIAL WEAKNESSES:

- I-B-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. One example of incompatible duties is that one individual posts cash receipts, makes bank deposits, and reconciles bank accounts.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part I: Findings Related to the Financial Statements: (Continued)

MATERIAL WEAKNESSES: (Continued)

Response - The District will implement procedures over areas where incompatible duties exist to maximize internal controls with current staff.

Conclusion - Response acknowledged.

I-C-09 Adjusting Journal Entries - Material adjustments were made to the financial statements to represent a fair presentation of the District's financial statements at June 30, 2009. Account balances that were adjusted were cash, various payroll withholding accounts, and accounts payable. Journal entries suggested were reclassifications of balance sheet amounts and recording of expenses that occurred close to the District's fiscal year end to the proper period.

Recommendation - The business manager should review all subsidiaries and reconciliations at the end of the fiscal year to assure that all account activity is included and properly reflected in the correct period.

Response - Processing of the hourly employees payroll on June 30th results in automatic recording of entries by the accounting software to the cash and payroll withholding accounts. Future June 30th payrolls will be accrued to avoid adjustments to these accounts. Accounts payable accruals to the Capital Projects - Athletic Complex Fund were due to unpaid amounts due on construction contracts. All contracts, amounts payable, and amounts paid have been published.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009 exceeded the amended certified budget in the non-instructional programs function. The District did not exceed its General fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget in the non-instructional program function.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-B-09 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees were detailed as follows:

Name, Title, Business Connection -----	Description -----	Amount -----
Family Medicine Board member	Medical services	\$ 443
Ihdes Phillips 66 Spouse of board member	Maintenance	1,090
Harbaugh Construction Sibling of board member	Construction costs	25,923

Two of these transactions do not appear to represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa since they did not exceed \$2,500. The transaction with Harbaugh Construction may represent a conflict of interest since the contract for services was not made through a written competitive and open bidding process.

Recommendation - When a contract with a related party is considered by the Board, they must make the contract for services publicly open through competitive written bidding when the contract amount exceeds \$2,500.

Response - We will follow the provision of Chapter 279.7A in the future.

Conclusion - Response accepted.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-F-09 Board Minutes - We did not note any transaction requiring board approval which had not been approved by the board.

II-G-09 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, however, we noted that the ending fund balance reported on the Certified Annual Report and the financial statements differ in the Capital Projects funds by \$142,682 due to deferred revenue not recorded for pledges receivable not collected sixty days after the end of fiscal 2009.

Recommendation - The District should accurately report their ending fund balances on the Certified Annual Report.

Response - We will correct this balance on the 2010 Certified Annual Report.

Conclusion - Response accepted.

II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-K-09 Deficit Balances - The Student Activity fund had seven accounts with deficit balances at June 30, 2009.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.

II-L-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-L-09 Statewide Sales and Services Tax (Continued)

Pursuant to Chapter 423.F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ 192,794
Statewide sales and services tax revenue	386,498
Interest income	297
Expenditures:	
School infrastructure:	
Buildings & equipment	265,986

Ending balance	\$ 313,603
	=====

II-M-09 Fees Paid to Officials - Payments for officiating sporting events that were being performed by current employees of the District were not being included in the employee's W-2. The District was considering these payments as made to independent contractors. According to a Q&A published by the Auditor of the State, these payments should be included in the employee's W-2.

Recommendation - We recommend that District management include these fees in the employee's W-2.

Response - We will include these payments in the employee's W-2 in the future.

Conclusion - Response accepted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-N-09 Financial Condition - The Physical, Plant, and Equipment Levy and the Athletic Complex funds had deficit balances of \$5,488 and \$892,608 respectively at June 30, 2009.

Recommendation - The District should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response - District management anticipates that the PPEL fund will have a positive fund balance by June 30, 2010. The Athletic Complex fund balance will continue to show a deficit until the three-year financing from the State-wide sales tax fund is complete and all pledges are collected. The District anticipates annual transfers to the Athletic Complex fund from the State-wide sales tax fund until fiscal year 2012 when the deficit will be eliminated.

Conclusion - Response accepted.